

OFFICE OF LEGISLATIVE RESEARCH  
PUBLIC ACT SUMMARY



**PA 13-78—sSB 807**

*Energy and Technology Committee*

**AN ACT CONCERNING WATER INFRASTRUCTURE AND  
CONSERVATION, MUNICIPAL REPORTING REQUIREMENTS AND  
UNPAID UTILITY ACCOUNTS AT MULTI-FAMILY DWELLINGS**

**SUMMARY:** This act establishes additional conservation-related principles that the Public Utilities Regulatory Authority (PURA) and municipal legislative bodies must consider when setting water company rates. It also requires (1) the Water Planning Council, in conjunction with the Energy Conservation Management Board (ECMB), to identify and recommend conservation programs to PURA and (2) PURA to implement, under certain circumstances, a revenue adjustment mechanism to let water companies meet their allowed revenues regardless of their customers' water usage.

The act also:

1. increases the maximum water infrastructure and conservation adjustment (WICA) from 7.5% to 10%;
2. expands the list of WICA eligible projects to include purchasing efficiency equipment, among other things;
3. allows a water company voluntarily acquiring an economically non-viable water company to receive a reasonable acquisition premium as part of a PURA-approved rate surcharge;
4. exempts municipal water utilities from reporting annually to PURA;
5. eliminates a requirement that the Office of Policy and Management prepare an annual report on, among other things, the Water Planning Council's goals and recommendations, other states' water resource planning, funding for water data analysis, water conservation programs, and funding requirements and mechanisms for water resource planning; and
6. allows utility companies to pursue post-judgment remedies against the owner of a building in receivership for failure to pay utility bills.

EFFECTIVE DATE: Upon passage

**§§ 1 & 4 — CONSERVATION-BASED RATE MAKING PRINCIPLES**

The act requires PURA to authorize water company rates that promote comprehensive supply-side and demand-side water conservation. It must also consider (1) state energy policies, (2) the capital intensive nature of supporting water systems that minimize water loss, and (3) the competition for capital to invest in such water systems. The act requires municipal legislative bodies setting rates for a municipal water utility to consider measures that promote water conservation and reduce the demand on the state's water and energy resources.

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The act requires PURA, and municipal legislative bodies setting water rates, to consider:

1. demand projections that recognize conservation's effects,
2. implementing metering and measures to provide timely price signals to consumers,
3. multi-year rate plans,
4. measures to reduce system water losses, and
5. alternative rate designs that promote conservation.

When setting utility rates in general, the law requires PURA to consider, among other things, (1) if the company is performing with economy, efficiency, and care for public safety and energy security to promote economic development with consideration for energy and water conservation, energy efficiency, the development and utilization of renewable resources, and the prudent management of the natural environment; (2) if the rates are sufficient, but no more than sufficient, to allow the company to cover operating costs and attract the capital needed to maintain its financial integrity; and (3) if rates reflect prudent and efficient management (CGS § 16-19e). The law also requires PURA to implement rate making procedures that (1) encourage conservation and (2) modify or eliminate any direct relationship between a utility company's sales volume and earnings, including the adoption of a sales adjustment clause (CGS § 16-19kk).

### § 2 — CONSERVATION PROGRAMS

The act requires PURA to open a proceeding to identify any water and energy conservation programs, including measures approved in the water supply plans required by law for certain water companies, for which a water company could recover expenses in a general rate case if the company (1) implements the programs and (2) shows, through publicly available information, that the program's expenses were reasonable and prudent.

The act requires the Water Planning Council and ECMB to submit a joint report that identifies and recommends conservation programs to PURA by January 1, 2014. The recommendations can include renewable energy use; meters and technology to promote timely price signals; and consumer programs such as monthly billing, water audits, and leak detection programs. PURA can consider the report in its proceeding to identify water company conservation programs or incorporate it into the Conservation and Load Management Plan it must develop by law.

### § 3 — REVENUE ADJUSTMENT MECHANISM

The act creates a revenue adjustment mechanism to allow a water company to make up the difference between its allowed annual revenue and actual annual revenue. Allowed annual revenue includes revenue for water sales, including sales for resale, from (1) charges approved by PURA in the company's last general rate case and WICA and (2) customer growth, since the company's last general rate case from a (a) PURA-approved merger, (b) PURA-ordered acquisition of another water company, or (c) voluntary acquisition of an

economically non-viable water company.

Actual annual revenue includes the revenues received or accrued for water sales, including sales for resale, from (1) charges approved by PURA in the company's last general rate case and WICA and (2) PURA approved revenues from mergers and acquisitions since the company's last general rate case.

The adjustment can be implemented through a rate modification (i.e., increasing present rates to make up the difference), a rate surcharge (i.e., an additional charge to make up the difference), or a balance sheet deferral that can be recovered in the company's next general rate case (i.e., raising future rates to make up the difference).

Under the act, any under-recovery, over-recovery, or deferred amounts from the previous year's adjustment must be included when calculating the subsequent annual adjustment or general rate case, whichever occurs first. (Presumably PURA would make annual adjustments as part of the act's requirement for it to annually authorize approved adjustment mechanisms.) The act implements the adjustment mechanism through pending general rate cases, at a water company's request, and through general rate cases. Any company receiving the adjustment must file with PURA an annual reconciliation of actual revenues to allowed revenues, and include a report on the company's water demand changes and water conservation measures.

#### *Pending Rate Cases*

The act requires PURA to include a revenue adjustment mechanism for any water company's draft or final general rate case pending on June 5, 2013. After approving the adjustment, PURA must annually authorize it until the company's next general rate case.

#### *Water Company Requests*

The act requires PURA to start a limited reopener proceeding to approve a revenue adjustment mechanism for a requesting water company if the company's actual annual revenues are at least 1% less than its allowed annual revenue. Once the adjustment mechanism is approved, PURA must annually authorize it until (1) six years after the company's last general rate case or (2) the company's next general rate case, whichever comes first.

#### *General Rate Cases*

The act requires PURA to approve a revenue adjustment mechanism at a water company's request during its general rate case. After approving the adjustment, PURA must annually authorize it until the company's next general rate case.

#### *Earnings Sharing Mechanism*

The act requires PURA to concurrently establish an earnings sharing mechanism that requires a water company's earnings beyond its allowed return on equity to be split equally between the company's ratepayers and shareholders.

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### §§ 6 & 7 — WICA

The law allows a water company to receive a water infrastructure and conservation adjustment to help defray the costs of funding certain infrastructure projects between general rate cases. The act adds to the list of WICA-eligible projects:

1. energy efficient equipment purchases for water company operations,
2. capital improvements needed to comply with river and stream flow regulations, and
3. reasonable and necessary system improvements required for a PURA-approved water system acquisition.

The act increases the maximum adjustment from 7.5% to 10% of the company's annual retail water revenues approved in its last rate case. Under existing law, unchanged by the act, WICA cannot exceed 5% of a company's approved annual revenues for any 12-month period.

### § 8 — ACQUISITION PREMIUMS

Existing law allows a water company (private or municipal) to voluntarily acquire another water company (private or municipal) deemed economically non-viable by PURA. Under these circumstances, the acquiring company can ask PURA to approve a rate surcharge to cover the acquisition costs and any improvements needed in the acquired system.

The act allows this rate surcharge to include an additional reasonable acquisition premium. The premium is calculated by adding an acquisition's costs beyond the depreciated original cost to the rate base and amortizing it as an addition to expenses over a reasonable period of time with corresponding rate base reductions. Under the act, PURA can allow the premium when a water company shows that a proposed acquisition will benefit customers by (1) enhancing system viability or (2) avoiding capital costs or saving operating costs.

Instead of imposing all or part of a rate surcharge, the act also allows PURA to let the acquiring water company defer the acquisition costs' collection until the company's next general rate case. It allows PURA to award an acquiring water company a premium rate of return at its next general rate case if the company shows the same benefits to customers described above.

### § 5 — MUNICIPAL WATER COMPANY REPORTS TO PURA

Prior law required all municipal utility companies to submit annual status reports to PURA. The act exempts municipal water companies from this requirement. It also exempts them from PURA's authority to (1) prescribe how to keep report-related records and (2) conduct report-related examinations.

### §§ 9-11 — RESIDENTIAL BUILDING RECEIVERSHIPS

Existing law prohibits a utility from terminating service to a residential building's tenants for nonpayment if it knows that the (1) building's owner, and

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not the tenants, is responsible for the bills and (2) tenants cannot receive service in their own names. When a building owner defaults under these circumstances, the law allows a utility to request that the court appoint a receiver to collect the building's rents and fees to pay the ongoing utility bills. The act allows a utility to additionally pursue any post-judgment remedies (e.g., a wage execution) against the owner to collect for its past due and ongoing bills. This provision applies to all utility companies, including municipal utilities.

OLR Tracking: LRH:CR:PF:ts